(b) Statutory Liquidity Ratio (SLR) is not the sole factor for deciding the amount of credit provided by the banks for various activities. The production ventures are financed by the comercial banks as part of their normal banking activities after assessing the need based credit requirements and keeping in mind the guidelines issued by Reserve Bank of India from time to time. The outstanding amount of bank credit extended by all scheduled commercial banks has increased from Rs. 125592 crores as at the end of March 20, 1992 to Rs. 140658 crores as at the end of November 13, 1992.

Review of interest rate on Export Credit

2334. DR. SHRIKANT RAMCHANDRA JICHKAR : Will the Minister of FINANCE be pleased to state :

(a) whether interest rate on export credit have lately been reviewed.

(b) if so, what are the details therof; and

(c) what is its effect on the bank's supply of export credit ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH) : (a) and (b) Following the Credit Policy announcement for the second half 1992-93 made by the Reserve Bank of India in October, 1992 interest rates on export credit have been reduced by one percentage point across the board with effect from 9th October, 1992

(c) It is too early to assess the effect of the changes in interest rate on individual bank's supply of export credit.

Credit Policy adopted by Reserve Bank of India

2335. DR. SHRIKANT RAMCHANDRA JICHKAR : Will the Minister of FINANCE be pleased to state :

(a) what are the details of the present credit policy adopted by Reserve Bank of India;

(b) what would be the overall effect of the credit policy on the production sector; and

(c) whether restrain in the expansion of money supply will still continue and if so, for how much time ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH) : (a) The details of the credit policy measures announced by Reserve Bank of India (RBI) on October 8, 1992 are as under :—

I. Statutory Liquidity Ratio (SLR) to be maintained by scheduled commercial banks (execluding Regional Rural Banks) upto the level of outstanding net demand and time liabilities (excluding FCNR AND NRE Deposits) on April 3, 1992 were to be reduced from 38.50 per cent to 37.75 per cent in three phases of 0.25 per cent each on January 9, 1993, February 6, 1993 and March, 6, 1993.

II. One third of the additional cash balances maintained under 10.00 per cent incremental Cash Reserve Ratio (CRR) by each bank upto the level of April 17, 1992, were to be released in three equal instalments in the fortnights begining October 17, 1992, November 14, 1992 and December, 12, 1992.

III. With effect from the fortnight beginning October 17, 1992 :

(i) On the eligible cash balances based on March 23, 1990, interest will be continued to be paid at a rate of 10.5 per cent per annum.

(ii) On the increase in eligible cash balances based on net DTL maintained after March 23, 1990, under the average of 15 per cent CRR as well as eligible cash balances maintained under 10.0 per cent incremental CRR, no interest would be paid.

IV. Effective October 31, 1992 scheduled commercial banks would be provided :

(i) Export credit (rupee) refinance to the extent of 60 per cent of the increase in outstanding ex-

port credit over the monthly average level of 1989-90 plus 110 per cent of the increase over the monthly average level of outstanding export credit in 1989-90, as against 125 per cent hitherto.

(ii) Under the refinance facility against Post-Shipment Export Credit Denominated in US Dollars (PSCFC), banks would be eligible for export credit refinance limits equivalant to 120 per cent of such credit provided by banks as against 133 1/3 per cent hitherto.

V. Effective October 9, 1992, the lending rates on credit limits over Rs. 2 lakhs was reduced by one percentage point from 19.0 per cent (minimum) to 18.0 percent (minimum). The lending rate for commodities coming under the purview of selective credit control was also reduced from 19.0 per cent (minimum) to 18.0 per cent (minimum).

VI. Effective from October 9, 1992, the interest rates on export credit (rupees) provided by scheduled commercial banks were reduced by one percentage point across-the-board.

VII. Effective from October 9, 1992 the interest rates on deposits for maturity of 46 days to 3 years and above was reduced by one percentage point from "not exceeding 13.0 per cent per annum." to "not exceeding 12.0 per cent per annum."

VIII. Effective from October 9, 1992 the rate of interest on savings accounts under NRE scheme was increased by one percentage point from 5.0 per cent to 6.0 per cent per annum. From the same date term deposits for NRE accounts for maturity of 46 days to 3 years and above have been rationalised and made a single prescription of "not exceeding 13.0 per cent per annum."

IX. From the fortnight beginning from October 17, 1992, the limits of issue of Certificates of Deposits (CDs) by scheduled commercial banks (excluding Regional Rural Banks) were increased from 7 per cent to 10 per cent of the fortnightly average outstanding aggregate deposits in 1989-90.

(b) The credit policy measures would ensure that banks would have adequate lendable resources to facilitate the recovery of output in both agricultural and industrial sectors and also support the genuine credit requirements of small scale industries and export sector. To ensure that increasing credit requirements of the export sector are met, have been advised to endeavour to reach a level of export credit equivalent to 10.0 per cent of each bank's net bank credit by June, 1993. All these measures are expected to have a favourable impact on productive sector of the economy.

(c) The monetary expansion in 1991-92 was high at 18.9 per cent and in the current financil year the expansion upto October 30, 1992 was 10.2 per cent which is also high. The monetary and credit policy remain under constant review of RBI in order to have a favourable impact on the productive sectors of the economy.

Private and Foreign participation in life insurance business

2336. SHRI KAMAL MORARKA : Will the Minister of FINANCE be pleased to state :

(a) whether there is any proposal under Government consideration to allow private and foreign participation in life insurance business;

(b) if so, whether Government have finalised the blueprint and the modalities for the purpose; and

(c) by when a decision is likely to be taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH) : (a) No, Sir. In terms of Section 30 of Life Insurance Corporation Act, 1956, the Life Insurance Corporation of India has the exclusive privilege of carrying on life insurance business in India except to the extent otherwise expressly provided in the said Act.